

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 SAM-01 OES-06

SP-02 SS-15 STR-04 TRSE-00 ACDA-07 FEA-01 PA-01 PRS-01

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R 011502Z SEP 76

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 8868

INFO EC COLLECTIVE 56

AMEMBASSY OSLO

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E.O. 11652: N/A

TAGS: ENRG, NL

SUBJ: GOVERNMENT WANTS HIGHER EXPORT PRICE FOR GAS

1. ECONMIN LUBBERS TOLD PARLIAMENT AUG 31 THAT DURING FORTH-COMING RENEGOTIATIONS HOLLAND WILL SEEK TO BRING THE EXPORT PRICE OF ITS NATURAL GAS MORE INTO LINE WITH MARKET VALUES. IN REPLY TO CHAMBER QUESTIONS LUBBERS SAID THAT IN MAJOR EXPORT CONTRACTS THE CURRENT PRICE WAS WELL OVER 10 DUTCH CENTS (ONE DOLLAR EQUALS 2.63 GUILDERS) PER CUBIC METER AND WILL IN THE COURSE OF THIS YEAR RISE TO AROUND 11.5 CENTS.

2. SECOND CHAMBER MEMERS HAD COMPLAINED THAT THE GAP BETWEEN THE AVERAGE DOMESTIC NATURAL GAS PRICE (NOW 14 CENTS PER CUBIC METER) AND THE LOWER EXPORT PRICE HAS BECOME WIDER AND WIDER SINCE 1973. THEY WONDERED WHETHER THE LOSS THEY ASSUMED WAS BEING MADE ON EXPORTS WAS OFFSET BY PROFIT ON DOMESTIC SALES.

3. LUBBERS AGREED THAT THERE HAD BEEN A WIDER GAP SINCE

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1973 BUT SAID THIS WAS ONLY TEMPORARY. HE SAID IT WAS

NOT RIGHT TO SPEAK OF A LOSS ON EXPORTS WHICH WAS MADE GOOD ON DOMESTIC SALES, POINTING OUT THAT EXPORT PRICES COULD NOT BE COMPARED TO DOMESTIC PRICES, WHICH REQUIRE NO NEGOTIATIONS BUT ARE ADJUSTED TO MARKET VALUE BY GOVERNMENT DECREE.

4. COMMENT: IN 1975, THE NETHERLANDS PRODUCTION OF 90 BILLION CUBIC METERS SUPPLIED ROUGHLY HALF OF THE NATURAL GAS CONSUMED IN THE EUROPEAN COMMUNITY. ITS SHARE OF MEMBER STATES CONSUMPTION WAS 100 PERCENT IN THE BENELUX, 55 PERCENT IN GERMANY, 47 PERCENT IN FRANCE AND 17 PERCENT IN ITALY. ONLY DENMARK, IRELAND AND THE UK WERE NOT CUSTOMERS. DUTCH EXPORT CONTRACTS WERE NEGOTIATED IN THE LATE SIXTIES AND EARLY SEVENTIES UNDER THE URGING OF THE FINANCE MINISTRY, WHICH STRONGLY FAVORED SELLING GAS ABROAD TO OFFSET THE HEAVY INTERNAL AND EXTERNAL BORROWING TO FINANCE THE DEVELOPMENT OF THE GRONINGEN GAS FIELD. THE FOURFOLD INCREASE IN OIL COSTS AFTER THE OPEC EMBARGO MADE NATURAL GAS A FAVORED SUBSTITUTE FOR OIL, AND DUTCH SALES OF GAS ROSE SUBSTANTIALLY, MAKING THE NETHERLANDS A NET ENERGY EXPORTER IN 1974 FOR THE FIRST TIME. THIS YEAR THE NETHERLANDS ADOPTED A NEW POLICY TO CONSERVE ITS NATURAL GAS RESERVES. PRESENT OBLIGATIONS WILL BE MET, BUT NO NEW EXPORT CONTRACTS WILL BE SIGNED. THE LIFETIME OF THE CONTRACTS VARIES FROM 20 TO 25 YEARS, WITH THE LAST ONE SCHEDULED TO EXPIRE IN 1990. THE EXPORT CONTRACTS SET THE PRICE OF NATURAL GAS AT 70 PERCENT OF THE DOMESTIC MARKET VALUE OF LIGHT FUEL OIL. THE GOVERNMENT AIMS TO RAISE THIS TO 80 PERCENT THIS YEAR AND EVENTUALLY TO 100 PERCENT, IN AN EFFORT TO REDUCE DEMAND, AS WELL AS TO PRODUCE ADDITIONAL INCOME.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, PETROLEUM PRODUCTS, NATURAL GAS, PRICE CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976THEHA04747
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760332-0614
From: THE HAGUE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t197609100/aaaadhrj.tel
Line Count: 91
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 03 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 MAY 2004 by buchant0>; APPROVED <25 AUG 2004 by izenbei0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOVERNMENT WANTS HIGHER EXPORT PRICE FOR GAS
TAGS: ENRG, NL
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006